

## **SECTION 90 BUSINESS PROPOSAL**

### **90.100 Introduction**

Section 90 describes the rate structure, the guidelines for offerors with regard to bid rate submissions, the evaluation of bids to be performed by the DHS, and the guidelines for future rate setting.

### **90.200 Overview of the Rate Structure**

For any given QUEST, QUEST-Net or QUEST-ACE managed care enrollee, the DHS will pay a capitation rate computed as a base rate (specific to aid category and island of residence) multiplied by an age/gender factor (specific to aid category). Rates shall be pro-rated for partial month enrollments. The base rates will be bid by the offerors and are to be effective for the five-month period from February 2007 through June 2007. Age/gender factors by aid category will be provided in the Data Book. Aid categories for base rates include the following:

- AFDC/TANF
- CHIP
- QUEST and QUEST-Net Children
- Foster Care
- General Assistance
- Immigrant Child
- Immigrant Pregnant Woman
- QUEST-Net Adults and QUEST-ACE

## **90.300 Bidding Rules and Requirements**

The Technical Proposal and the Business Proposal shall be submitted in separately sealed packages. In order to be considered complete and eligible for the evaluation, bids must fully comply with the following:

- Bids must be submitted using Bid Form 1 (contained in the data book). For any island not being bid, the offeror shall place the value 0.00 as the bid rate.
- For each island being bid, the offeror must bid all aid categories.
- For each island being bid, the offeror must complete Bid Forms 2A – 2H.
- The total capitation rates in Bid Forms 2A – 2H must tie to the corresponding capitation rates on Bid Form 1.
- The actuarial certification of rates (with specifications described below) must be completed and signed by a Member of the American Academy of Actuaries.
- Offerors must maintain comprehensive documentation of their rate development, although it is not required that this documentation be submitted with the proposal.

Bids that do not fully comply will be disqualified pursuant to Section 22.100.

## **90.400 Bid Evaluation**

By island, each composite bid rate (weighted based on projected membership in each aid category) will be compared to the actuarially sound rate ranges computed by the DHS. To be acceptable an offeror's composite bid rate must be within the rate range computed

by the DHS. These rate ranges will not be disclosed. Offerors with a composite bid rate more than 5% above the upper bound of the rate range will be disqualified for that island (unless later deemed critical for member access by the DHS). All other offerors whose composite rate exceeds the upper bound of the DHS rate range will have any aid category specific bid rates that are above the rate range for that aid category lowered to the mid-point of that rate range. Apparent successful offerors with rates that have been reduced by the DHS to the mid-point of the rate range shall be required to revise assumptions and certify that these rates are acceptable. The DHS and their actuaries will provide limited feedback in such situations.

Offerors whose composite rate is below the lower bound of the DHS rate range will be expected to submit their comprehensive documentation of assumptions and rate development for any aid category specific bid rates below the actuarially sound rate range computed by the DHS. If the rate development process and assumptions are deemed actuarially sound by the DHS, the offeror's bid rate will be increased to the minimum rate determined to be actuarially sound for that offeror by the DHS. Note that this rate may be lower than the original lower bound of the rate range established by the DHS based on the rate development work of the offeror. Rate development documentation deemed unreasonable by the DHS will result in the disqualification of the bid for that island.

### **90.500 Future Rate Setting**

Subject to limitations imposed by CMS, legislative direction or other outside influence for which the DHS must comply, it is the intent of the

DHS to publish revised rates each state fiscal year and, to the extent feasible, to maintain the relative rate differentials between awarded contractors (specific to each island and aid category base rate) throughout the term of the contract. For example, if Health Plan A has a base rate for CHIP members on Maui that is 3% lower than Health Plan B, any DHS changes to Maui rates or to CHIP age/gender factors will, to the extent feasible be made such that Maui CHIP base rate for Health Plan A will remain 3% lower than that for Health Plan B. The DHS specifically does not commit to any particular methodology or formula, or to any particular benchmark or objective, for rate revisions.

The DHS may consider adverse selection or risk adjustment in the future years. In the event that any adjustments are made, the DHS will utilize audited data tied to financial records to make such adjustments.

### **90.600 Actuarial Certification Specifications**

The actuarial certification must contain the following documentation:

- Changes in utilization from the underlying source data by category of service resulting from an assumed difference in the level of health care management.
- Annual unit cost trend rates by category of service.
- Assumptions regarding changes in utilization or average unit cost for each change in contractual requirements compared to the time period of the source data. Only contractual requirements that impact rates should be included in this list.

- Modifications resulting from perceived weaknesses in the underlying source data.
- Justification for any differences in assumptions between islands regarding administrative expenses.
- Confirmation that expected pharmacy rebates attributable to this population have been completely applied to the average pharmacy unit cost in the supporting documentation.
- Inclusion of the following statement:
  - "I certify that the submitted capitation rates were developed in accordance with generally accepted actuarial principles and practices. They are appropriate for the populations to be covered and the services to be provided under the contract."
- Signature by an actuary who meets the qualification standards established by the American Academy of Actuaries, is a Member of the American Academy of Actuaries, and follows the practice standards established by the Actuarial Standards Board.

This certification may be submitted with electronic signature with the original proposal, but must be followed with a signed original and received by the DHS within one week after the proposal submission deadline.